

THE LAW OFFICES OF  
**LORITZ & ASSOCIATES**  
ORLAND STATE BANK BUILDING • 9533 WEST 143RD STREET  
ORLAND PARK, ILLINOIS 60462  
708-403-2555

RICHARD F. LORITZ

RICHARD E. NAWRACAJ

Of Counsel

David Dineff  
Patrick Dwyer  
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Julie Burt

April 12, 1994

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Office of the Secretary  
Interstate Commerce Commission  
Twelfth & Constitution Ave., N.W.  
Room 2303  
Washington, D.C. 20423

18771  
RECORDATION NO. \_\_\_\_\_ FILED 1425

APR 18 1994 - 9 20 AM

Telecopier  
708-349-6628

Attention: Ms. Mildred R. Lee

INTERSTATE COMMERCE COMMISSION

RE: Lease of Locomotive Equipment  
National Railway Equipment Company, Lessor  
The Kansas City Southern Railway Co., Lessee

Dear Sir/Madam:

I have enclosed an original and one copy of the document described below to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a lease of locomotive equipment and is a primary document dated March 3, 1994. The names and addresses of the parties to the documents are as follows:

Lessor

National Railway Equipment Company  
An Illinois Corporation  
14400 S. Robey Street  
P.O. Box 2270  
Dixmoor, IL 60426

Lessee

The Kansas City Southern Railway Co.  
114th West Eleventh Street  
Kansas City, MO 64105-1804

LICENSED PROFESSIONAL

APR 13 9 14 AM '94

A description of the equipment covered by the document follows:

Office of the Secretary  
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<u>Unit No.</u>	<u>Type</u>	<u>General Description</u>
2002	EMD GP40-2	3000 H.P. Locomotive
2018	EMD GP40-2	3000 H.P. Locomotive
2031	EMD GP40-2	3000 H.P. Locomotive
2034	EMD GP40-2	3000 H.P. Locomotive
3013	EMD GP40	3000 H.P. Locomotive
3020	EMD GP40	3000 H.P. Locomotive

A fee of \$18.00 is enclosed. Please return the original after recordation to Richard F. Loritz, 9533 W. 143rd Street, Orland Park, IL 60462.

A short summary of the document to appear in the index follows:

A lease of locomotive equipment identified as six (6) locomotives, four which are type EMD GP40-2, 3000 H.P. locomotives, and two which are type EMD GP40, 3000 H.P. locomotives, with National Railway Equipment Co., as Lessor, and The Kansas City Southern Railway Co., as Lessee.

Also attached is an Affidavit executed by the attorney in fact for National Railway Equipment Co. and appropriately notarized declaring that the enclosed copy is identical to the original document which is also enclosed.

Very truly yours,

NATIONAL RAILWAY EQUIPMENT CO.  
an Illinois Corporation

BY:

  
RICHARD F. LORITZ

ITS: Attorney and Agent in Fact

RFL/sjg

Enclosures

**Interstate Commerce Commission**  
Washington, D.C. 20423

4/18/94

OFFICE OF THE SECRETARY

Richard F. Loritz  
Loritz & Associates  
Orland State Bank Building  
9533 West 143rd Street  
Orland Park, Illinois 60462

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions  
of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303,  
on 4/18/94 at 9:20am, and assigned  
recordation number(s). 18771

Sincerely yours,

Secretary  
SIDNEY L. STRICKLAND, JR.

Enclosure(s)

APR 18 1994 - 9 20 AM

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INTERSTATE COMMERCE COMMISSION  
LOCOMOTIVE LEASE AGREEMENT

THIS LOCOMOTIVE LEASE AGREEMENT ("Lease"), entered into as of the 3rd day of March, 1994, between NATIONAL RAILWAY EQUIPMENT COMPANY, an Illinois corporation, ("LESSOR"), and THE KANSAS CITY SOUTHERN RAILWAY CO., a Missouri corporation, ("LESSEE").

LESSOR AND LESSEE HEREBY AGREE AS FOLLOWS:

1. LEASE AND LEASED PROPERTY

Lessee hereby leases from Lessor, the locomotive(s), ("Locomotives"), together with the parts, accessories, attachments and devices, if any, now or hereafter affixed thereto, as described in Schedule "A" attached to and made part hereof.

2. TERM

The term of this Lease for each Locomotive shall be the fixed term set forth in Schedule "A", commencing on the date such Locomotive is accepted by Lessee ("Commencement Date"). Upon termination of the lease, Lessee shall effect prompt delivery of the Locomotive(s) to Lessor at Dixmoor or Silvis, Illinois as designated by Lessor.

3. RENTAL

- A. The rental payable shall be the sum identified in Schedule "A" payable in arrear with no payments until receipt and acceptance of the equipment. Lessee shall operate such Locomotive(s) in conformity with its use of Locomotives it owns and leases. If the Commencement Date for any locomotive does not fall on the first day of the month, the first rental payment shall be prorated accordingly.
- B. Payments past due for more than five (5) days shall bear interest at the rate of eighteen percent (18%) per annum.
- C. All rentals shall be paid to Lessor at National Railway Equipment Company, P.O. Box 74493, Chicago, IL 60690 or at such other address as Lessor may direct in writing.

4. TAXES

Lessee shall pay all use, excise, ad valorem, stamp, documentary and similar taxes on or relating to this lease of the Locomotive(s), or the use, registration, rental, maintenance, possession or operation thereof, (except for taxes related to or arising from the Lessor's income under this lease), and shall file any returns required therefor, and shall hold Lessor harmless against any liability and expense (including reasonable attorney fees and costs) on account of Lessee's failure to do the same.

5. OWNERSHIP AND LESSOR'S INSPECTION

- A. The Locomotive(s) shall at all times remain the sole and exclusive property of the Lessor.
- B. Lessee may add such equipment to the Locomotives as it uses in its operations, including radios and radio display units, and may retain them at lease end.
- C. Lessee shall keep the Locomotive(s), at all times, free and clear from all claims, liens and encumbrances.
- D. This Lease is intended to be a true lease of the Locomotive(s) and is not and in no way shall be construed as creating a sale of the Locomotive(s) to Lessee.

6. DELIVERY/RETURN

Delivery of the locomotives shall be accepted by Lessee at interchange point between the KCS and the Southern Pacific at no cost to the KCS. On the delivery of the Locomotive(s) shipping from Lessor's plant in Silvis or Dixmoor, Illinois, the freight costs will be absorbed by the KCS. Upon expiration or other termination of this Lease, Lessee shall return such Locomotive(s) to Lessor at Silvis or Dixmoor, Illinois, in the same condition as when accepted, reasonable wear and tear and Lessor repairs excepted.

7. LESSEE'S INSPECTION/WARRANTY DISCLAIMER

- A. i. Lessee hereby acknowledges that Lessee has had or will have the opportunity to inspect the Locomotive(s) prior to accepting delivery of same, and that acceptance of delivery of the Locomotive(s) by Lessee constitutes acknowledgment that they have been received in running order.

- ii. Except as provided in Section 8, Lessor shall not be responsible for any repairs or maintenance of the Locomotive(s) during the term of this Lease.
- B. Delivery to and acceptance of the Locomotive(s) by, and execution of a Schedule with respect thereto by Lessee shall constitute Lessee's acknowledgment that the locomotive(s) are of the manufacture, design and utility, quality and capacity selected by the Lessee, that Lessee is satisfied that the same is suitable for Lessee's purpose and that, except as otherwise provided in Section 8, LESSOR MAKES NO REPRESENTATION OR WARRANTY EXPRESS OR IMPLIED, WITH RESPECT TO THE CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF THE LOCOMOTIVE(S), and Lessor hereby disclaims all such representation and warranties.

#### 8. USE AND MAINTENANCE

Lessee agrees that:

- A. Lessee shall be responsible and pay for all registrations, certificates, and permits, and all other similar requirements of governmental authorities, whether required to be obtained in the name of the Lessor or Lessee.
- B. The Locomotive(s) shall be used and operated only by properly qualified, trained and registered personnel authorized by Lessee.
- C. Lessee shall comply with all applicable laws and regulations relating to the lease, possession, use and operation of the Locomotive(s).
- D. Lessee shall be solely responsible for the payment of any and all fines, penalties or forfeitures (including) without limitation the confiscation of the locomotive(s) levied upon or arising out of the use, operation, maintenance or insuring of the locomotive(s) in violation of any law, ordinance, rule or regulation of any governmental authority.

- E. Lessee shall pay all costs, expenses and charges incurred in connection with the maintenance, lease, use and operation of the locomotive(s).
- F. Lessee shall maintain the locomotive(s) in good mechanical condition and running order and in compliance with OEM specifications and safety rules and regulations now or hereafter promulgated by applicable governmental authorities.
- G. Lessee shall keep and maintain any and all books and records and make any filings required by any governmental authority with respect to the possession, lease, use or operation of the locomotive(s).
- H. The Lessee shall use the Locomotives only in the manner for which designed and intended and so as to subject them only to ordinary wear and tear. Lessee will, at its sole expense, perform all repair and maintenance work, servicing, lubrication and inspection of the Locomotives in accordance with Lessee's existing maintenance practices. Lessor agrees to accept responsibility for
  - i. The catastrophic failure of the (a) turbocharger, (b) major engine component (i.e. crankshaft), and (c) AR-10 alternator during the lease term.

## 9. INDEMNIFICATION

Lessee does hereby agree to defend, indemnify, protect and hold harmless Lessor and any assignees or successors of Lessor, and their respective employees and agents, from and against any and all losses, liabilities (including without limitation strict liability imposed by law), damages, injuries, claims, demands and expenses (including legal expenses) of whatsoever kind and nature, resulting from or arising out of the use, operation or possession of any Locomotive. This covenant of indemnity shall continue in full force and effect notwithstanding the termination of this lease or the termination of the lease of any Locomotive.

- A. Except as otherwise provided in Section 8, Lessee assumes and agrees to indemnify, protect and hold free and harmless Lessor, any assignee or successor of Lessor, and their respective employees or agents, irrespective of any responsibility for negligence, from any loss, damage, theft or destruction of any locomotive.

- B. In case of total destruction of any or all of the Locomotives, Lessee shall pay Lessor, per Locomotive, the amount stated as Replacement Value in Schedule "A". Daily lease rental shall continue on such locomotive(s) until such time that Lessee has issued payment to Lessor via bank check or bank wire transfer.
- C. This duty of indemnification shall not apply to any claim or cause of action arising solely out of Lessor's negligence, or out of Lessor's gross negligence or intentional wrongful conduct.

10. ASSIGNMENT AND LIENS

Lessor shall have the unconditional right to assign this lease, in whole or in part. Lessee shall have no right to assign or sub-lease this lease or any other of the Locomotive(s) or any interest therein.

11. DEFAULT

- A. Lessee shall be in default under this Lease upon the happening of any of the following events or conditions ("Event of Default"):
  - i. Default in the payment within five days of when due of any installment of rental hereunder or of any other obligation for the payment of money now or hereafter owed by Lessee to Lessor.
  - ii. Default in the timely performance of any other liability, obligation, covenant or agreement hereunder of Lessee after written notice to Lessee and a reasonable time to cure.

12. REMEDIES UPON DEFAULT

- A. Upon the occurrence of any Event of Default or at any time hereafter, Lessor, in its sole discretion, may take any one or more of the following actions with respect to the Locomotive(s):



12. REMEDIES OF DEFAULT CONT.

- i. Declare all unpaid amounts of rental to be immediately due and payable. KCS shall be responsible for full payment of all rents due. Rents to become due shall not exceed a total of four (4) months.
  - ii. Terminate the lease of any or all Locomotives by written notice to Lessee.
  - iii. Whether or not the lease is terminated, take possession of any or all Locomotive(s) wherever found, and for this purpose Lessor may at Lessor's option enter upon the premises where such Locomotive(s) are located and take immediate possession of and remove the same, all without liability to Lessee for damage to property or otherwise for actions taken in a commercially reasonable manner.
  - iv. Require that Lessee shall, upon written demand by Lessor and at Lessee's expense, promptly make available to Lessor at Lessee's expense, any or all Locomotives at a places designated by Lessor which is reasonably convenient to both parties.
  - v. Proceed by appropriate action either at law or in equity to enforce performance by Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof or to rescind the lease hereunder of any or all Locomotive(s).
  - vi. Exercise any and all rights and remedies available to Lessor under any applicable law. In addition, Lessee shall be charged with and shall pay to Lessor all reasonable costs and expenses of Lessor incurred as a result of each Event of Default by Lessee.
- B. None of the rights and remedies under or referred to in this Paragraph 12 is intended to be exclusive, but each such right or remedy shall as to each Locomotive be cumulative and may be availed of separately or concurrently with or in addition to any other right or remedy provided or referred to herein or otherwise available to Lessor at law or in equity. Any repossession or subsequent sale or lease by Lessor of any Locomotive(s) shall not bar an action against Lessee for a deficiency. To the extent permitted by applicable law, LESSEE WAIVES ANY AND ALL RIGHTS TO NOTICE AND TO A

12. REMEDIES OF DEFAULT CONT.

JUDICIAL HEARING WITH RESPECT TO THE REPOSSESSION OF EQUIPMENT BY LESSOR IN A COMMERCIALY REASONABLE MANNER AS A RESULT OF ANY EVENT OF DEFAULT HEREUNDER BY LESSEE. However, Lessor shall be entitled to only a single recover of its damages regardless or the remedy or remedies chosen, and Lessor shall be obligated to act reasonably to mitigate its damages. Lessee shall be entitled to all of the rights and remedies of a Lessee under Article 2-A of the Uniform Commercial Code as adopted in Illinois

- C. Without limitation of any rights of Lessor otherwise existing or otherwise available to Lessor, it is expressly covenanted and agreed by the parties hereto that in the event of any assignment by operation of law of this Lease or of a bankruptcy of Lessee within the meaning of the Federal Bankruptcy Act, then Lessor may, at Lessor's election, terminate this Lease.

13. RECORDATION OR LESSOR'S INTEREST

Lessee acknowledges that Lessor may record this lease with the Interstate Commerce Commission pursuant to 49 USC #11303.

14. MISCELLANEOUS

- A. This Lease and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of Illinois.
- B. Neither this Lease nor any schedule shall be amended, and no provision hereof or of any Schedule shall be waived or varied unless by a writing signed by the parties.
- C. No delay or omission by Lessor in exercising any right hereunder shall operate as a waiver of such right or any other right. A waiver by Lessor of any Event of Default by Lessee shall not be construed as a waiver of any future occasion.
- D. In case any provision (or portions thereof) in this Lease shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions (or portions thereof) hereby shall not in any way be affected or impaired thereby.

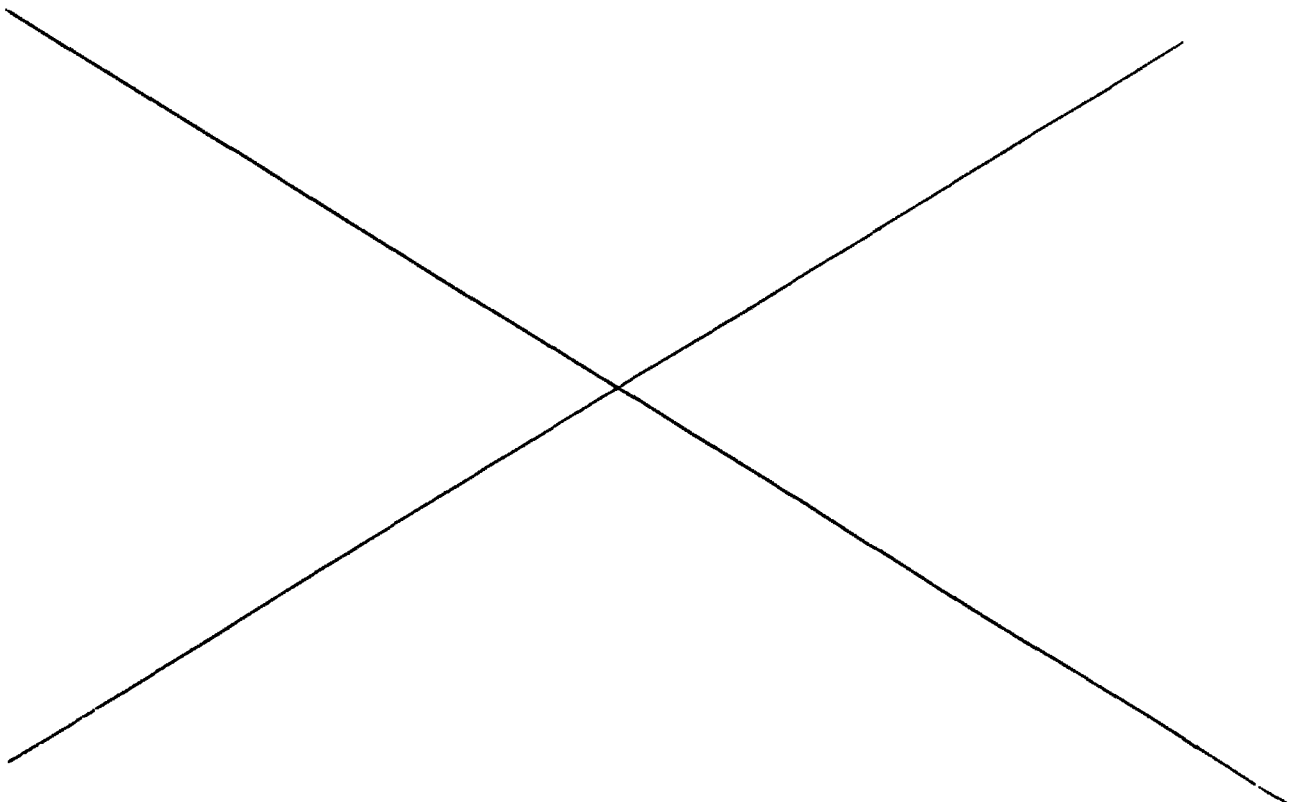
- E. This Lease shall be binding upon and inure to the benefit of Lessor and Lessee and their respective successors.
- F. All notices permitted or required to be given pursuant to this Lease shall be mailed by Certified or Registered Mail, Return Receipt Requested to the parties at the following addresses or at such other addresses as each party may notify the other.

If to Lessor:           National Railway Equipment Co.  
                          P.O. Box 2270  
                          Dixmoor, IL 60426

If to Lessee:           The Kansas City Southern Railway Co.  
                          114th West Eleventh Street  
                          Kansas City, MO 64105-1804

15.    QUIET ENJOYMENT

So long as Lessee is not in default under this Agreement, Lessee shall be entitled to the quiet enjoyment, use and possession of the Locomotives.



WITNESS WHEREOF, the parties have executed this Lease the day and year first mentioned above.

LESSOR:

NATIONAL RAILWAY EQUIPMENT CO.

BY: Lawrence J. Beal

NAME: Lawrence J. Beal

TITLE: President

ATTEST: Patrick C. Frangella

BY: Patrick C. Frangella

NAME: Patrick C. Frangella

TITLE: Vice President - Administration

(Corporate Seal)

LESSEE:

THE KANSAS CITY SOUTHERN  
RAILWAY COMPANY

BY: J. D. Dehner

NAME: J. D. Dehner

TITLE: Ex. V. P. & COO

ATTEST: Shirley K. Cooper

BY: Shirley K. Cooper

NAME:

TITLE: Asst. SECRETARY

(Corporate Seal)

APPROVED AS TO FORM

W. P. Buzby JMA

SCHEDULE "A"

Attached to and incorporated into the Lease dated the 3rd day of March, 1994, by and between NATIONAL RAILWAY EQUIPMENT COMPANY (LESSOR) and THE KANSAS CITY SOUTHERN RAILWAY CO. (LESSEE).

Type and General Description of Locomotive Unit, Marks and Numbers:

<u>UNIT NO.</u>	<u>TYPE</u>	<u>GENERAL DESCRIPTION</u>
2002	EMD GP40-2	3000 H.P. LOCOMOTIVE
2018	EMD GP40-2	3000 H.P. LOCOMOTIVE
2031	EMD GP40-2	3000 H.P. LOCOMOTIVE
2034	EMD GP40-2	3000 H.P. LOCOMOTIVE
3013	EMD GP40	3000 H.P. LOCOMOTIVE
3020	EMD GP40	3000 H.P. LOCOMOTIVE

<u>REPLACEMENT VALUE</u>	<u>TERM</u>	<u>LEASE RATE PER LOCOMOTIVE</u>	
		<u>MONTHLY</u>	<u>DAILY</u>
\$300,000.00	365 days GP-40-2		\$ 275.00
\$200,000.00	365 days GP-40		\$ 250.00

COMMENCEMENT DATE: Upon receipt and acceptance by the  
Kansas City Southern

Lessee agrees to pay the first month of lease with their execution of the lease.

SPECIAL TERMS: None

LESSOR: NATIONAL RAILWAY EQUIPMENT COMPANY

BY: Laurence J. Beal

TITLE: \_\_\_\_\_

LESSEE: KANSAS CITY SOUTHERN RAILWAY COMPANY

BY: [Signature]

TITLE: Executive

APPROVED AS TO FORM

O.P.B., Jr.

**AFFIDAVIT**

STATE OF ILLINOIS       )  
                                      ) ss  
COUNTY OF COOK       )

The undersigned states that he has read the attached document and that the document attached is identical to the complete and original Lease Agreement.

This Affidavit is made pursuant to the procedures in Section 117.3(2)(b) relative to the recordation of documents with the Interstate Commerce Commission.

  
AFFIANT

Subscribed and Sworn to  
before me this 12<sup>th</sup> day  
of April, 1994.

  
NOTARY PUBLIC

